

VZCZCXRO5785
OO RUEHAO RUEHCD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS
DE RUEHDG #0027/01 0222252
ZNR UUUUU ZZH
O R 222252Z JAN 10
FM AMEMBASSY SANTO DOMINGO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0607
INFO WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RHMFIUU/CDR USSOUTHCOM MIAMI FL

UNCLAS SECTION 01 OF 02 SANTO DOMINGO 000027

SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [ETRD](#) [EINV](#) [HA](#) [DR](#)

SUBJECT: DOMINICAN GOVERNMENT SEES ECONOMIC THREATS AND OPPORTUNITIES
IN HAITI CRISIS

REF: SANTO DOMINGO 23

¶1. In a 01/22/10 meeting with Charge and Emboffs, Eddy Martinez, Executive Director (with ministerial rank) of the Dominican Export and Investment Center (CEI-DR), explained that the Government of the Dominican Republic (GoDR) is concerned the Haitian earthquake and its aftermath will adversely affect Dominican companies that relied on exports to that country, while at the same time recognizing that the Haiti relief and reconstruction effort provides export opportunities for Dominican firms, as well as the possibility of promoting economic integration on the island of Hispaniola that would boost economic growth and sustainable development in both countries. Martinez led Emboffs on a tour of CEI-DR's exhibition center showcasing Dominican products that address emergency needs in Haiti, put in a plea for expanding the HOPE program from Haiti to the DR, handed over two reports on Dominican exports to Haiti and the effect the earthquake has had on this sector, and provided points of contact for American firms and NGOs looking to purchase relief supplies in the DR for distribution in Haiti.

¶2. Martinez was present at the beginning of Charge's 01/20/10 meeting with Foreign Minister Carlos Morales (Reftel), where he expressed the GoDR's concern that Dominican companies that have relied on the Haitian market will be severely adversely affected by the Haitian earthquake and its aftermath. Many Dominican firms have lost their Haitian customers, he explained, either through the destruction of the latter's stores and warehouses, or through their deaths. There is also the fear, Martinez added, that the enormous influx of humanitarian assistance will displace Dominican exports to Haiti for an extended period of time. He asked Charge to visit CEI-DR's Haiti Relief Export Center to view its operations and receive a more detailed briefing.

¶3. Charge, accompanied by Pol-Econ Counselor, Agricultural Attache and USAID Economist, met with Martinez and CEI-DR New Business Manager Sofia Ortiz on 01/22. Martinez provided Emboffs with a study on border commerce and another on the impact of the earthquake on DR-Haiti commerce. According to Martinez:

n Exports from the DR to Haiti totaled USD 647.3 million in 2009, an increase of 14.5 percent over the previous year;

n Most of the formal exports went through the southern border crossing at Jimani (USD 152.3 million in 2009) to Port au Prince;

n These exports have "virtually disappeared" since the earthquake, as the major retail businesses in the Haitian capital were destroyed ;

n Informal exports in the border towns of Pedernales and Elias Pina (USD 25.5 million in 2009) have fallen 15-30 percent since the earthquake;

n On the other hand, the market in Dajabon in the north (the least

affected part of Haiti) has operated normally;

n The decrease in trade with Haiti is negatively affecting many Dominican businesses, particularly small- and medium-enterprises for whom Haiti was their major if not sole export market;

n The GoDR fears that many of these companies may go bankrupt unless a way can be found to renew their export trade to Haiti;

n There is also concern that donations for Haiti relief will displace Dominican exports, particularly as certain unnamed countries have informed the GoDR that their reconstruction projects will be carried out using materials imported from the donating country;

n CEI-DR is assisting Dominican companies by hosting in its exhibition hall a Haiti Relief Export Center, where Dominican companies can show their products that would contribute to relief and reconstruction efforts (fertilizer, medical supplies, plastic sheeting and storage, food products, pesticides, building materials, etc...);

n CEI-DR is encouraging international organizations, foreign embassies and NGOs to visit the Center to explore purchasing goods from Dominican suppliers for Haiti;

n Recent visitors have included the Inter-American Development Bank, the World Bank, UNICEF and representatives from actor Vin Diesel's foundation;

n Companies, organizations and NGOs interested in visiting the Center should contact either Sofia Ortiz or Patricia Fernandez at 809-530-5505 and/or visit CEI-DR's website at www.cei-re.gov.do; and

n The GoDR is emphasizing to local manufacturers that they should look beyond making a quick buck on a few exports to Haiti now, and instead should look to charging minimal mark-ups in order to firmly establish themselves in the Haitian market, gain goodwill and demonstrate their competitiveness.

14. Looking beyond immediate measures for Haitian relief, Martinez described what the GoDR is doing and what it suggests the U.S. can do to promote long-term economic growth and sustainable development in Haiti and the Dominican Republic:

n The Dominican Export Free Zone has generated some employment in Haiti;

n Expansion of the U.S. HOPE program for Haiti to the entire island of Hispaniola would accelerate this process and could lead to the creation of thousands of jobs in both countries, taking advantage of Haiti's unskilled labor pool and combining it with more skilled labor in the DR;

n Many Dominican companies are already basing some if not most of their manufacturing in Haiti (Note: Grupo M, a textile manufacturer, does most of its production at a 4000 worker plant in northern Haiti, with the more-skilled finishing work performed at its factory in Santiago. End Note);

n GoDR ministries are looking at revising the tax treatment for companies that export to Haiti, and

n (In response to a query from Emboffs) The GoDR could look at relaxing import tariffs on inputs for goods manufactured for export to Haiti;

n (In response to a question from Charge) The GoDR will also look at taking steps to encourage service exports to Haiti and explore setting up a similar export resource center to promote such exports and make their availability known to interested parties; and

n The GoDR will study the capacity of its industry to produce for

the Haitian market.

15. COMMENT: The GoDR is correct in seeing the Haiti earthquake as both a threat and an opportunity in economic terms. The USG should take this into consideration both for the immediate political need to maintain the GoDR's impressive assistance to and cooperation with Haiti relief and rebuilding efforts, as well as the long-term economic integration and development of both countries. Embassy will continue to engage Martinez and other GoDR officials on these issues. With respect to the possible expansion of HOPE to the DR, Martinez was uncertain as to whether this would conflict with the terms of CAFTA-DR. Guidance on this question from the Department would be appreciated. END COMMENT.
Lambert